

Abstract of the Bachelor Thesis

Title: Credit Default Swap

Author: Matěj Kratochvíl

Department: Department of Probability and Mathematical Statistics

Supervisor: Mgr. et Mgr. Martin Chudoba

Abstract: The thesis deals with basic credit derivative – credit default swap. The aim of the first part is to explain its mechanism, contract elements, settlement, and to show practical examples of investment. The second part attempts to clarify how the arbitrage possibilities between bond market and credit derivatives market drive credit default swap prices to a certain range. Further there is presented a simple pricing model and possibilities of its exploitation. Examples are provided for better understanding. The third part focuses on counterparty default risk in credit default swap.

Keywords: CDS, default intensity, credit risk